



Photographer: Qilai Shen/Bloomberg

Markets

Top Fund Manager Says China Stock Rally Is Just Getting Started

By [Ben Bartenstein](#)
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- ▶ China is most intriguing investment opportunity, Kaufman says
- ▶ Emerging markets less fragile than in Asian financial crisis

The portfolio manager who trounced 99 percent of peers over the past year says Chinese stocks could be the most alluring bet in the decade to come.

Lewis Kaufman, who oversees the \$2 billion Artisan Developing World fund in San Francisco, has outperformed amid rebounds in Alibaba Group Holding Ltd., liquor giant Kweichow Moutai Co. and TAL Education Group. Chinese shares could get an extra boost from further policy support, additional index inclusions and a trade resolution between Washington and Beijing, he said.

Kaufman, 43, is also overweight equities in the other so-called BRIC nations of India, Brazil and Russia. India is still largely untapped by foreign investors and benefits from a large base of educated youth as well as economic overhauls under Prime Minister Narendra Modi, he said. Brazilian companies, including stock exchange Brasil Bolsa Balcao and pharmacy chain Raia Drogasil, have the domestic demand potential to transcend the limitations of Latin America's largest economy, according to Kaufman. He said he's trimmed his Russian holdings down to just two stocks -- search engine provider Yandex NV and Sberbank of Russia PJSC -- as the prospect

of new U.S. sanctions concerns him.

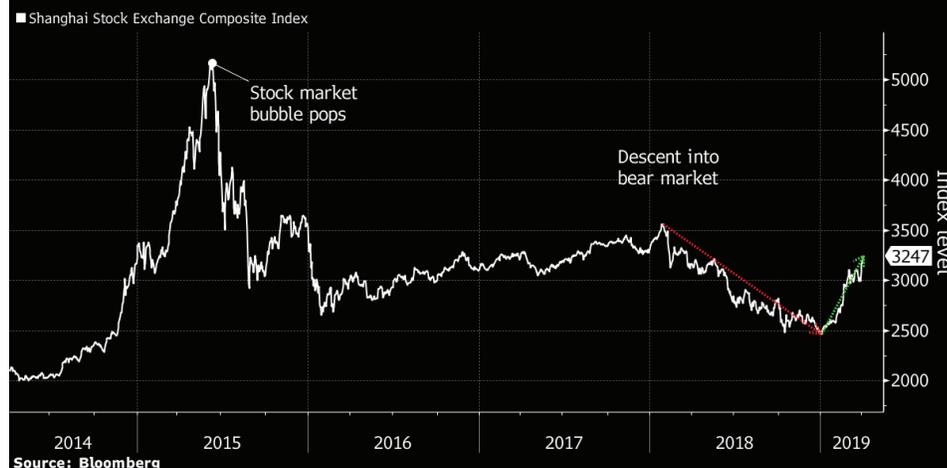
"There's a B, an R, an I and China," Kaufman said. "In China, our weighting is almost as big as it's ever been. Everything else in emerging markets pales in robustness to that story."

Kaufman has avoided South Korean and Taiwanese shares, which make up almost 25 percent of MSCI's emerging-market index. Instead, 20 percent of his portfolio

is dedicated to multinationals such as Visa Inc., which has exposure in the developing world.

While emerging markets still have their share of fragile nations, from Argentina to Turkey and South Africa, Kaufman said the asset class has undergone a transformation in recent decades. "Emerging markets have come a long way since the Asian financial crisis of the 1990s," he said.

Rally Mode Chinese stocks leading global gains after flopping last year



Lewis Kaufman is the portfolio manager of the Artisan Developing World Fund. This article represents the views of Ben Bartenstein of Bloomberg and Lewis Kaufman as of the date of publication and those views and opinions presented are their own. Artisan Partners is not responsible for and cannot guarantee the accuracy or completeness of any statement in the discussion. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

Investment Results (%) as of 31 Mar 2019	1 YR	3 YR	ITD	Expense Ratio
Artisan Developing World Fund				Prospectus 30 Sep 2018
Investor Class: ARTYX	3.14	14.08	8.78	1.37
Advisor Class: APDYX	3.34	14.33	9.00	1.18
Institutional Class: APHYX	3.38	14.41	9.10	1.09
MSCI Emerging Markets Index	-7.41	10.68	4.99	
Morningstar Percentile Rank*	1st	4th	1st	

Source: Artisan Partners/MSCI/Morningstar. Returns less than one year are not annualized. Fund inception: 29 Jun 2015.

*Morningstar rankings are based on total return, are historical and do not represent future results. Artisan Developing World Fund (ARTYX) is ranked 7 out of 836 funds for 1-Yr, ranked 25 out of 710 funds for 3-Yr and 7 out of 657 funds since inception in the Morningstar Emerging Markets Category for the period ended 31 March 2019. The category may include several share classes of the same mutual fund which may have a material impact on the fund's ranking.

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For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. The discussion of portfolio holdings does not constitute a recommendation of any individual security. These holdings comprise the following percentages of the Artisan Developing World Fund's total net assets as of 31 Mar 2019: TAL Education Group 5.0%, Alibaba Group Holding Ltd 4.9%, Kweichow Moutai Co Ltd 4.6%, Visa Inc 4.5%, Yandex NV 3.2%, B3 SA - Brasil Bolsa Balcao 3.0%, Raia Drogasil SA 2.2%, Sberbank of Russia PJSC 1.0%. Securities named but not listed here are not held in the Fund as of the date noted. The portfolio holdings mentioned are subject to change and the Fund disclaims any obligation to advise investors of such changes.

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